



Impact of the public benefit requirement: analysis of findings

The Charity Commission commissioned the Institute for Voluntary Action Research (IVAR) and Sheffield Hallam University (SHU) to deliver a [research project into perceptions of the impact of the public benefit requirement](#). This requirement has always existed but was re-emphasised by the Charities Act 2006, which removed the presumption of public benefit for all charitable purposes and placed a new responsibility on charity trustees to explain how their activities deliver public benefit in their trustees' annual report. The Act also created a new objective for the Charity Commission to promote awareness and understanding of the requirement.

The purpose of the research project was to explore the overall impact that the renewed emphasis has had on charities and their beneficiaries and build a picture of how the charity sector has changed, if at all. The Commission's analysis of the research findings is set out below.

The public benefit requirement has had a positive impact on many charities

The Charity Commission takes lots of positives from the research findings. There is evidence that some charities have responded well to the renewed emphasis on public benefit by re-examining their core aims, expanding services and widening their class of beneficiaries. The study participants also spoke of public benefit as a catalyst for strategic thinking and welcome 'modernisation' across the charity sector.

It is encouraging to see that the public benefit requirement is helping charities to strengthen governance and tackle private benefit. The latter issue is more likely to affect smaller charities, in which trustees often have a range of responsibilities in addition to their core governance role; they may even be members or beneficiaries of the charity they serve. Charities that are facing potential conflicts of interest are reminded that, in addition to our guidance on public benefit, we offer a range of other resources. In particular, [The essential trustee](#), [Trustee expenses and payments](#) and [Users on Board: beneficiaries who become trustees](#) will help charity boards navigate the issues and avoid private benefit occurring in the first place.

Some charities are complacent about public benefit whilst others are confused

The Commission recognises that there are still some charities that don't see the public benefit requirement as relevant to them, in spite of the fact that it has always been a legal necessity. This may simply be because they feel the benefit of their work is self-evident; the benefit of that work, and to whom, may not be something they have had to actively consider or demonstrate. Even so, it is incumbent upon all charities to explain who they serve and how. Such transparency is the bedrock of the charitable sector and is vital to public trust and confidence. Viewed like this, charity trustees will find that public benefit is not an 'added extra' but central to their organisation's work.

The charitable sector is extremely diverse and so inevitably not all charities have had the same experience with public benefit. Some fee-charging charities have had concerns about accessibility; various membership charities have struggled to distinguish benefiting the public from benefiting their members; some faith-based charities have had difficulty explaining the benefit of their work to an external audience. The Commission encourages the trustees of such charities to dedicate time to working through these issues in a considered and strategic way. As the research suggests, trustees have found this to be a positive process that clarifies their organisation's values and mission. Almost all charities, whatever their circumstances, will find that complying with the public benefit requirement need not be complicated.

Charities should stick to their mission, even in tough times

In terms of funding, this is a difficult time for many charities. The economic climate is challenging and much government support for the sector has been scaled back. Some charities find themselves struggling to compete in the market. However, this should not mean that charities end up chasing funding at the expense of their core aims and charitable objects. Charity trustees should ensure that funding terms and conditions, including those of public service contracts, are aligned with their charity's objectives and beneficiary class before agreeing to them.

The public benefit requirement is properly enforced

The Commission does not agree with those research participants who claimed that the public benefit requirement has not been adequately enforced. Some people may feel 'disappointed' that no organisations have actually lost charitable status as a result of our work in this area. We, on the other hand, view this as a mark of success. The regulator is of the view that, with adequate support and guidance, all registered charities can successfully fulfil their legal obligations to provide a public benefit. The approach we take is not unduly combative simply because we do not believe it would be effective.

That said, promoting compliance with the public benefit requirement is a statutory responsibility that the Charity Commission takes very seriously, in spite of the reduction in its resources. The recent charity tribunal cases have not changed the fundamental principle that charities must serve the public benefit, although we are clarifying our guidance in specific areas. Research such as this allows us to review charities' performance in relation to public benefit and we will continue to do so in future. This includes the periodic review of samples of trustee annual reports to gauge compliance with reporting requirements.

Charity registration and public benefit go hand in hand

The Commission is clear that charity registration must be a rigorous and thorough process. Registration is about establishing whether or not an organisation is a charity and we will often enquire closely about the detail of whether and how an organisation's purposes are for the public benefit. The Charity Commission does take into consideration the fact that some newly-established organisations are at a very early stage of development and may have difficulty in articulating their public benefit. However, as regulator we must be clear that what the trustees are setting out to achieve and who they intend to serve satisfies the public benefit requirement. This is vital to sustaining public trust and confidence in charities.

Feedback on our public benefit guidance is welcome

The Commission appreciates the comments and views expressed by the research participants on the effectiveness of our public benefit guidance. Some individuals spoke of the difficulty we face in developing guidance that is both generic, for charities that want a broad, accessible overview of the principles, and specific, for charities in need of more detailed and bespoke advice.

As our public benefit guidance is a document to which all charity trustees must have regard it is, by its nature, general. However, we have recently revised our public benefit guidance and put it in a completely new format, which we hope trustees will find easier to use. It will be published soon. The Commission will be consulting on the revised guidance and encourages those with an interest in public benefit to put forward their views. In addition, we are developing interactive, web-based tools that will provide trustees with guidance that is tailored to their individual charity's circumstances. We look forward to launching these later in the year.

Further resources

Charity trustees facing any of the issues or challenges highlighted by this research may find the following useful:

- [Charitable purposes and public benefit](#)
- Research report: [Membership Charities](#), March 2004
- [Guidance on registering a new charity](#)